

Message Text

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43

ACTION EUR-12

INFO OCT-01 ISO-00 EURE-00 EB-07 TRSE-00 FRB-01 OPIC-06

XMB-04 L-03 PRS-01 CIAE-00 INR-07 NSAE-00 /042 W

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P R 291312Z JUL 76

FM AMCONSUL BILBAO

TO SECSTATE WASHDC PRIORITY 548

INFO AMEMBASSY MADRID

AMCONSUL BARCELONA

USDOC WASHDC

UNCLAS BILBAO 0093

E.O. 11652: N/A

TAGS: EFIN, SP

SUBJECT: LOCAL BANK LIQUIDITY PROBLEM

1. THE BANCO DE VIZCAYA, BILBAO'S SECOND LARGEST BANK, ISSUED A NOTICE TO ALL BRANCHES LAST WEEK TO ACCEPT NO COMMERCIAL PAPER FOR DISCOUNTING INDEFINITELY. DISCOUNTING COMMERCIAL PAPERS IS THE BACKBONE OF COMMERCIAL TRANSACTIONS IN SPAIN AND THUS THE BANK'S MOVE HAS CAUSED DIFFICULTIES FOR MANY OF ITS CLIENTS.

2. BILBAO ECONOMIC SOURCES SAY ALL BANKS HAVE TIGHTENED UP ON DISCOUNTING COMMERCIAL PAPER SINCE THE MONEY SUPPLY IS NOT KEEPING UP WITH INFLATION. HOWEVER, THE BANCO DE VIZCAYA IS REPORTEDLY FEELING THE PINCH MORE THAN THE OTHERS.

3. THERE IS NO INDICATION HOW LONG THE BANK WILL REFUSE COMMERCIAL PAPER. PERHAPS THE ANNUAL BUSINESS HIATUS OF AUGUST WILL REDUCE DEMAND FOR DISCOUNTING TO LEVELS CONFORMING WITH THE MONEY SUPPLY, ALLOWING IT TO RELAX ITS COMPLETE PROHIBITION. PENDING ECONOMIC MOVES BY THE GOVERNMENT MAY ALSO ALLEVIATE THE PROBLEM. HOWEVER, IF COMBATING INFLATION IS THE MAIN OBJECTIVE, THEN MORE BANKS MAY HAVE TO DISCONTINUE DISCOUNTING

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COMMERCIAL PAPERS WITH RESULTING PROBLEMS FOR BUSINESS

ACTIVITY.

BEFFEL

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: INFLATION, POLICIES, BANKS, HARD CURRENCIES, LIQUIDITY (MONETARY)
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Copy: SINGLE
Draft Date: 29 JUL 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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Drafter: n/a
Enclosure: n/a
Executive Order: N/A
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